

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 L-03 SS-15 INR-07 SP-02 /046 W

-----010633 086142 /12

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC PRIORITY 7448

C O N F I D E N T I A L JIDDA 1612

STADIS//////////

E.O. 11652:GDS

TAGS: EFIN, USSAEC, SA, US

SUBJECT: PROPOSED AGENDA FOR US-SAG JOINT ECONOMIC COMMISSION

REF: STATE 043137

1. ECON COUNSELOR HAS REVIEWED DRAFT AGENDA FOR DISCUSSION OF ECONOMIC AND FINANCIAL ISSUES WITH USREP DIRECTOR JOHN HUMMON. INITIAL REACTION IS THAT SAG WOULD NOT BE ADVERSE TO SUCH TALKS IF PROPERLY STRUCTURED. SUBJECT WAS BROACHED IN GENERAL WAY WITH DEPUTY FINANCE MINISTER AL-TURKI SOME TIME AGO, AND HIS RESPONSE WAS AFFIRMATIVE. QUESTION OF SUITABILITY AND PROPOSED AGENDA SHOULD BE RAISED WITH DR. AL-TURKI DURING MARCH 3-4 VISIT.

2. PROPOSED AGENDA OFFERS SOME AREAS OF DEFINITE INTEREST TO SAG AND SOME POSSIBLE PITFALLS. OUR COMMENTS FOLLOWS:

A. GLOBAL PAYMENTS SITUATION AND FINANCIAL ARRANGEMENTS:

WE NOTE LACK OF SPECIFICITY CONCERNING DEPARTMENT'S INTEREST. IF WE MEAN TO DRAW OUT SAG ON OVERALL MANAGEMENT OF FINANCIAL ASSETS (WHAT THE SAUDIS ARE DOING WITH THEIR RESERVES), THAT MIGHT BE DIFFICULT EXCEPT FOR DISCUSSION IN A MOST GENERAL WAY. BELIEVE ALSO THAT CONSIDERABLE INFO ALREADY AVAILABLE TO USG

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AMONG SEVERAL REPOSITORIES OF FINANCIAL DATA. WE ARE RATHER NEGATIVE ON POSSIBILITY OF DRAWING OUT SAUDIS ON FISCAL MATTERS IN ANY MEANINGFUL SENSE.

B. FOREIGN MINISTRY HAS RAISED QUESTION OF CONSULTATIONS ON MULTILATERAL ASSISTANCE WITH AMBASSADOR PORTER AND WE HAVE BEEN RESPONSIVE, PROVIDING OUR ASSESSMENT

OF CONDITIONS IN CERTAIN AFRICAN STATES, EGYPT AND LEBANON. TO BE MOST PRODUCTIVE, IT WOULD SEEM THAT FOREIGN MINISTRY PERSONNEL WOULD HAVE TO BE INCLUDED IN SOME WAY FOR TALKS IN THIS AREA. IF YOU AGREE, WE WILL SOUND THIS OUT, FIRST WITH FINANCE MINISTRY AND THEN WITH FOREIGN MINISTRY, IF AGENDA IS FIRMED UP.

C. DEPARTMENT KNOWS BETTER THAN WE CHANCES FOR PERSUADING CONGRESS TO APPROPRIATE FUNDS FOR COOPERATION WITH ARAB FINANCIAL INSTITUTIONS. PRESUME OUR PRIVATE BANKING SECTOR ALREADY UP ON THIS.

D. DEPENDING ON HOW HEARINGS ON ANTI-BOYCOTT LEGISLATION PROCEED, BILATERAL TRADE/FINANCE AND INVESTMENT ISSUES COULD PROVE PRICKLY.

(1) CONTRACTING PROBLEMS:

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA (AGC) WILL HOST, ALONG WITH EUROPEANS AND JAPANESE, A MEETING AT GENEVA DURING MAY AT WHICH THEY HOPE TO ATTRACT GOVERNMENT AND OTHER OFFICIALS INTERESTED IN MIDDLE EAST CONTRACTING PROBLEMS. SINCE TARGET OFFICIALS ARE THOSE MOST CONCERNED WITH CONTRACTING, THAT FORUM MIGHT BE BETTER THAN BILATERAL ON SAME SUBJECT. WE CAN CONTINUE TO TALK AT GOVERNMENTAL LEVEL ON SURETY BONDS, LETTER OF CREDIT FORMS AND COST PLUS CONTRACTING, AND MAY ENCOURAGE LIMITED NEW FORWARD MOVEMENT.

(2) INFLATED BIDS:

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THERE IS A LOT OF ACRIMONY AROUND JUST NOW. WE INCLINE TOWARD LETTING THE SAUDIS THINK THIS OUT THEMSELVES. THE CANCELLATION OF TENDERS OR REJECTION OF BIDS WILL HAVE THE EFFECT OF SLOWING DOWN THE VERY INFRASTRUCTURE THAT SAG SEEMED PELL MELL TO WISH TO BUILD. TO EXTENT THAT INFLATION CONTINUES HERE AND ABROAD, COSTS OF PROJECTS CAN ALSO BE EXPECTED TO RISE.

(3) FOREIGN ADVISORS TO SAMA WOULD APPEAR TO HAVE INSIDE TRACK ON COUNSELING SAG RE ACCESS TO FOREIGN MONEY AND EQUITIES MARKETS. WE ARE NOT CERTAIN WHAT WE WOULD OFFER SAMA HERE THAT THEY DO NOT ALREADY HAVE.

(4) TAX TREATY:

FORGET IT FOR NOW. SAMA HAS INFORMED EMBOFFS THAT THIS IS VERY LOW ON THEIR CURRENT LIST OF PRIORITIES.

3. COMMENT: THERE IS THE PRACTICAL ASPECT OF HOLDING

THE TWO SETS OF TALKS CONCURRENTLY. SAG IN ALL LIKELIHOOD WOULD SIMPLY NOT BE STAFFED OUT SUFFICIENTLY TO HOLD SUCH TALKS. AL-TURKI, WHO WOULD HAVE TO ADDRESS GLOBAL PAYMENTS SITUATION, IS SAME MAN TO DEAL WITH SURETY BONDING VS BANK GUARANTEES, MUST HANDLE MUNTILATERAL AID, AND ALSO RESPOND FOR KINAPARK. IT IS MORE OR LESS A ONE-MAN SHOW.  
PORTER

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## Message Attributes

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